SHARE
Finance Workgroup

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MARCH 29, 2010

ARKANSAS CENTER FOR HEALTH IMPROVEMENT

MAIN CONFERENCE ROOM

1:00 PM TO 5:00 PM

Welcome & Introductions

SHARE
Finance Workgroup
Strategic Plan

Finance Strategic Plan Proposal

- Workgroup Survey Results:
  - Introduction – approved unanimously
  - Key Assumptions – 7 yes, 1 no
  - Finance Principles – approved unanimously
  - Pricing Models for HIE Services – approved unanimously
  - Innovative Partnerships – 7 yes, 1 no
  - Stakeholder Contributions/Willing to Pay – 7 yes, 1 abstain
  - Role of the State – 6 yes, 1 no, 1 abstain
  - Financial Sustainability – approved unanimously
  - Endorsement of Stakeholders – 7 yes, 1 abstain

Finance Strategic Plan Proposal

- Key Assumptions (7 yes, 1 no):
  - I support the section but I thought that we were not going to include "Medicaid" by name in this section since their involvement was already indicated in the 2nd bullet.
  - I would add the word "anticipated" before "use" in the bullet about Arkansas Medicaid (last bullet).
  - Can the currently available federal funds really be used as venture capital??

Finance Strategic Plan Proposal

- Finance Principles (already approved unanimously):
  - On Point
  - Did we want to include anything about accountability and transparency?
  - Where is the Minority Report about the Principle that we were not in agreement with? The issue about "every citizen"...
    - Minority Report presented to Executive Committee is on next slide

Finance Principles
MINORITY REPORT

7

- Every citizen of Arkansas should participate in the cost of SHARE because every citizen will benefit.
  - Feeling that charges will be passed on anyway, but not sure that should be a principle that we will charge everyone
  - Not sure there “should” be direct charges to "every citizen”
  - Will every citizen truly benefit? Should costs be paid by citizens or just by users? Should greatest cost go to those who use SHARE the most or those who benefit the most?
  - Everyone will see some benefit, but some may never “use”
  - Several people had strong feelings that this absolutely should be a principle and should be included

Finance Strategic Plan Proposal

- Innovative Partnerships (7 yes, 1 no):
  - I just don't think this paragraph is clear. In the first sentence, what is "it" referring to? What will guide the process. And what relationships are being referenced? Just ones with potential vendors? Are there any other groups that may be innovative partners? Maybe not. What is MPI? I don't think I'm opposed to the concepts in this section, I'm just not sure they are clearly communicated.
  - Will want to talk further about how we ensure the best possible process for the State while having to think about "investors" and their needs.

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- Stakeholder Contributions/Willingness to Pay (7 yes, 1 abstain):
  - Still concerned about providers (physicians) and their willingness to pay for access to system.

- Role of the State (6 yes, 1 no, 1 abstain):
  - Since I was absent for much of this discussion, I need to understand more about the expectation of the Department of Health to contribute to the cost of implementing and using SHARE.
  - Telehealth and ATOM are essentially the same thing. Success will likely require additional state resources.

Finance Strategic Plan Proposal

- Financial Sustainability (approved unanimously):
  - Inability to adequately fund start-up infrastructure.
- Endorsement of Stakeholders (7 yes, 1 abstain):
  - Above concern for physicians in the State

Finance Strategic Plan Proposal

- Friday, March 26 Executive Committee meeting:
  - Governance, BTO, TI & Finance Strategic Plans presented
  - Legal update, but no Strategic Plan yet
- Actions/Comments/Concerns from EC:
  - Finance Principles Minority Report not acted on
  - Worried some stakeholders will have problem with fees
  - Question: What if they don't/won't pay?
  - Want details; assured would be in Operational Plan
- EC approved unanimously with addendum:
  - Addendum changed language to adhere to TI language and to clarify that service of HIE is exchanging information, not storing it

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Finance Workgroup
Operational Plan

Develop Operational Plan Straw Proposal

- Finance Operational Plan Guidelines from HIE Toolkit:
  - Provide detailed cost estimates, timelines and operational plans for obtaining financing and implementing a sustainable business plan aligned with the Strategic Plan.
    - High-level budget should be outlined
    - Describe the staffing plan
    - Describe processes, timelines, milestones for achieving operational status related to financial management
    - Describe the timeline, milestones, activities related to developing and implementing a financing plan and business model

Develop Operational Plan Straw Proposal

- Components of Finance Operational Plan:
  - High-Level Budget
    - Phase 1 – pilot/proof of concept (2010)
    - Phase 2 – implementation/operational (2010-2013)
    - Phase 3 – sustainability (2013+)
  - Staffing Plan
  - Financial Management
  - Controls & Reporting
    - DF&A, HHS, ARRA, etc.
  - Financing Plan & Business Model
    - Fee Schedule

Develop Operational Plan Straw Proposal

- REVIEW Arkansas' Submitted Budget & Narrative
  - 2010-2013 submitted budget: $7,909,401 HIE Cooperative Agreement funding and $600,000 state matching
  - Will need to amend
- REVIEW fees and budgets from other states
  - Maryland – DRAFT
  - New Mexico – APPROVED
    - Additional details from New Mexico
- DRAFT fee structure
  - Services offered, and to which users?
  - Which users gets charged and who doesn't?
  - How much?

MD DRAFT Strat & Op Plans

Overhead Items	2010	2011	2012	2013
Rent	$36,000	$37,260	$38,564	$39,914
Utilities	$24,000	$24,840	$25,709	$26,609
Outreach and Communication	$60,000	$60,000	$7,500	$7,763
Legal Services	$85,000	$85,000	$8,000	$8,280
Liability Insurance	$12,000	$12,420	$12,855	$13,305
Office Expenses/Other SG&A*	$193,957	$192,940	$137,388	$135,757
Total Overhead	**$410,957**	**$412,460**	**$230,016**	**$231,628**

*SG&A = Selling, General, and Administrative Expenses

NM APPROVED Strat & Op Plans

Projection of NMHIC Expenditures (in millions)

Type of Expenditure	2004 - 2007	2008 Year 1	2009 Year 2	2010 Year 3	2011 Year 4	2012 Year 5
COST OF REVENUE	-	-	0.28	0.38	0.43	0.46
MINUS DEPRECIATION	-	-	-	-	-	-
SUBTOTAL - COST OF REVENUE	-	-	0.28	0.38	0.42	0.46
OPERATING EXPENSES	2.85	3.02	1.64	2.31	2.49	2.45
MINUS DEPRECIATION	0.00	-0.15	-0.16	-0.25	-0.29	-0.33
SUBTOTAL - OPERATING EXPENSES	2.85	2.87	1.48	2.06	2.20	2.12
CAPITAL INVESTMENTS	1.05	0.77	0.02	0.44	0.20	0.20
TOTAL EXPENDITURES	3.90	3.64	1.78	2.88	2.82	2.78

NM APPROVED Strat & Op Plans

Summary of NMHIC Revenue Projections

	2008 Year 1	2009 Year 2	2010 Year 3	2011 Year 4	2012 Year 5
Revenue from Clinician Users of the Network (Network Subscription Agreements – NSAs)	-	-	-	-	-
Revenue from Payers					
▪ Number of Covered Lives	-	-	1.25 M	1.25 M	1.25 M
▪ Rate Per Member Per Month	-	-	$0.201	$0.201	$0.201
▪ Total Revenue from Payers	-	-	$3.01 M	$3.01 M	$3.01 M
Revenue from Government					
▪ State of New Mexico	$0.58 M	-	-	-	-
▪ Federal					
▪ Base Year 2008	$3.06 M	-	-	-	-
▪ Carry Over to 2009	-	$0.38 M	-	-	-
▪ Option Year One - 2009	-	$1.40 M	-	-	-
▪ Total Funds from Government	$3.64 M	$1.78 M	-	-	-
Total Revenue	**$3.64 M**	**$1.78 M**	**$3.01 M**	**$3.01 M**	**$3.01 M**

MD DRAFT Strat & Op Plans

Model Assumptions	Adoption Rates					
Use Cases	**Subscription/ Month**	**Assessment Unit**	**2010**	**2011**	**2012**	**2013**
National Laboratory Results Delivery	$10	Per doc	30%	50%	70%	90%
Hospital Laboratory Results Delivery	$2	Per doc	10%	30%	50%	70%
Local Laboratory Results Delivery	$3	Per doc	10%	30%	50%	70%
ED/Hospital Discharge Summaries to Physicians/Clinics	$10	Per doc	10%	30%	50%	70%
ED/Hospital Discharge Summaries to ED/Hospital	$2,000	Per facility	10%	30%	50%	70%
Clinical Summary to EDs	$2,000	Per facility	0%	0%	30%	50%
Clinical Summary to Physicians/Clinics	$10	Per doc	0%	0%	10%	30%
National Radiology Results Delivery	$5	Per doc	0%	30%	50%	70%
National Radiology Results History	$1,000	Per facility	0%	30%	50%	70%
Hospital Radiology Results Delivery	$1	Per doc	0%	0%	10%	30%
Hospital Radiology Results History	$350	Per facility	0%	0%	10%	30%
Local Radiology Results Delivery	$2	Per doc	0%	0%	10%	30%
Local Radiology Results History	$650	Per facility	0%	0%	10%	30%
Max Subscription – All Services	**$43**	**Per doc**				
Max Subscription – All Services	**$6,000**	**Per facility**				

NM APPROVED Strat & Op Plans

The following table includes estimates of potential savings and/or cost avoidance from eight examples. The assumptions that were used to estimate these savings are described in Appendix J.

Areas of Savings and/or Cost Avoidance	Estimate of Annual Savings
Avoiding unnecessary ambulatory visits caused by missing patient data	$1,509,200
Avoiding unnecessary referrals to Emergency Departments (other than ADEs) caused by missing patient data	$576,000
More efficient information sharing within Emergency Departments	$686,400
Reduced number of adverse drug events (ADEs) which require Emergency Department visits	$365,000
Reduction in redundant laboratory testing	$1,000,000
Reduction in redundant imaging services	$280,500
Improved lab and imaging staff efficiency	$180,000
Improved staff efficiency by electronic sharing of patient records among hospitals	$59,059
Total Annual Savings for Albuquerque	**$4,656,159**
Savings from the rest of the state (estimated to be 30% of Albuquerque savings)	$1,396,848
Total Annual Savings/Cost Avoidance in New Mexico	**$6,053,007**

NM APPROVED Strat & Op Plans

Appendix I: Total Annual Benefit to Payers Table

Total Annual Benefit to Payers by HIEI Level 4						
Payer Benefit from:	Level 2	Level 3	National Savings to Payers Level 4	New Mexico %	NM Savings to Payers	NM Savings to Payers 10% Savings
			billions	(% health $)	millions of 2008 dollars	millions of 2008 dollars
Provider-Lab	$0.74	$1.09	$3.76	0.55%	$20.70	$2.07
Provider-Radiology	$1.59	$1.96	$8.04	0.55%	$44.20	$4.42
Provider-Payer	$0	$0	$9.84	0.55%	$54.10	$5.41
Total	$2.32	$3.06	$21.60	0.55%	$119.00	$11.90

Develop Operational Plan Straw Proposal

- SHARE will exchange following (per BTO & TI):
  - Patient demographic information
  - Patient vital information such as height, weight, BMI, smoking status, allergies, problem list/health issues, care providers
  - Medication information to include prescriptions, refill requests, fill status, history and active medications
  - Diagnostic testing information such as clinical laboratory orders and results
  - Other structured clinical summary information
  - Public health information such as immunizations
  - Insurance type, ID, payer name, and payer contact information
- Who gets charged and who doesn't? How much?

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Next Steps

Develop Operational Plan Proposal

- Strategic Plan
  - Staff will finalize
  - Will send to editor to be incorporated with other parts
- Operational Plan
  - Staff will draft a straw proposal based on WG input
  - Workgroup will give comments on proposal
  - Staff will finalize draft
  - Workgroup will approve recommended Operational Plan through same basic process as we used for Strategic Plan
  - Randy will present to Executive Committee for discussion/approval
  - Staff will finalize and send to editor

FUTURE MEETINGS

- Thursday April 8 from 8:30-10:30am
  - (NOTE: THIS HAS BEEN CHANGED FROM APRIL 9!)
- Monday, April 19 from 2:30-4:30pm
- Friday, April 30 from 8:00-10:30am